

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 ISO-00 OIC-02 SSO-00 NSCE-00

USIE-00 INRE-00 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-02 INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05

PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01 TRSE-00

USIA-06 PRS-01 SP-02 OMB-01 IO-10 AF-06 /115 W

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O R 181221Z APR 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 0328

INFO AMEMBASSY BRASILIA IMMEDIATE

AMCONSUL RIO DE JANEIRO

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E.O. 11652: N/A

TAGS: ETRD, OCON, BR

SUBJ: COFFEE: US/BRAZILIAN BILATERAL DISCUSSIONS

1. US DELEGATION TO FIFTH MEETING OF WORKING GROUP
ON NEGOTIATION OF A NEW COFFEE AGREEMENT HAS ATTEMPTED
TO MAINTAIN CLOSE CONTACT WITH BRAZILIAN DEL. US
PERMANENT REP HOSTED INFORMAL GET-TOGETHER BETWEEN
MEMBERS OF US DEL AND IBC PRESIDENT CALAZANS, IBC
MARKETING DIRECTOR BAUMGRATZ AND BRAZILIAN PERMANENT
REP RAFFAELLI SUNDAY EVENING BEFORE START OF CURRENT
WG SESSION. US DELS SAID THAT US INTENDED TO PUT
FORTH SOME IDEAS FOR A NEW ICA, BUT THAT WE WOULD
PROBABLY NOT BE IN A POSITION TO DO SO BEFORE TUESDAY
AFTERNOON OR WEDNESDAY MORNING. WE EXPLAINED THAT
IDEAS HAD BEEN TRIED OUT ON OUR DELEGATION TECHNICAL
ADVISORS THE PREVIOUS FRIDAY IN WASHINGTON AND THAT
WE WOULD NOT HAVE THE PRELIMINARY REACTIONS UNTIL
MONDAY MORNING. US REPS EMPHASIZED THAT WE WANTED
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TO MAKE SURE THAT WHATEVER WE SUGGESTED WAS WORKABLE

AND, TO THE EXTENT POSSIBLE, CONTAINED NO UNFORSEEN DIFFICULTIES FOR PRODUCERS OR CONSUMERS. CALAZANS EXPRESSED APPRECIATION FOR US SITUATION BUT SAID HE MUST LEAVE LONDON TUESDAY AFTERNOON.

2. US REPS INGERSOLL AND O'DONNELL MET AGAIN WITH CALAZANS AND RAFFAELLI MONDAY MORNING IN OFFICE OF ICO EXECUTIVE DIRECTOR. INGERSOLL EXPLAINED THAT OUR DELEGATION ADVISORS HAD SUGGESTED SOME MINOR CHANGES TO OUR SUGGESTIONS WHICH WE WOULD WORK ON THAT AFTERNOON. HE SUGGESTED THAT WE CALL ON CALAZANS IN BRAZILIAN EMBASSY TUESDAY MORNING TO GIVE HIM A PREVIEW OF THE PRESENTATION WE WOULD BE MAKING LATER THAT MORNING TO THE CONSUMER CAUCUS AND IN AFTERNOON TO WG PLENARY. CALAZANS AGREED. WE THEN EXCHANGED VIEWS ON HOW PACE OF WG COULD BE SPEEDED UP.

3. AT TUESDAY MORNING MEETING INGERSOLL SUMMARIZED DETAILS OF US SUGGESTIONS (WHICH WILL BE REPORTED SEPTEL). MOST NOVEL IDEA IN PACKAGE WAS THAT ANNUAL MARKET SHARES BE DISTRIBUTED AMONG PRODUCERS ON BASIS OF A FIXED 80 PER CENT COMPUTED ON AVERAGE EXPORTS FOR PAST 5 YEARS AND A VARIABLE 20 PER CENT COMPUTED ON RELATIVE PROPORTION OF A COUNTRY'S STOCKS TO TOTAL WORLD STOCKS. 1. ONE MAJOR OBJECTIVE SUCH SYSTEM WOULD BE TO ALLOCATE QUOTA TO COUNTRIES HAVING COFFEE AVAILABLE AND THUS MINIMIZE PAPER QUOTA. CALAZANS IMMEDIATELY SAW ADVANTAGES OF IDEA TO BRAZIL; WHILE BRAZIL WOULD LOSE A FEW PERCENTAGE POINTS OF FIXED QUOTA, IT WOULD MAKE THEM UP ON THE VARIABLE. 2. ADDITIONAL ATTRACTION OF RELATING ANNUAL QUOTA TO VERIFIED STOCKS ON HAND PRECEDING YEAR WOULD BE INCENTIVE FOR PRODUCING COUNTRIES NOT REPEAT NOT TO DUMP ALL AVAILABLE COFFEE ON MARKET BETWEEN NOW AND ENTRY INTO FORCE OF AGREEMENT AND QUOTA LIMITATIONS. CALAZANS EXPRESSED APPRECIATION FOR THAT SPECIFIC US SUGGESTION AND SAID HE WOULD STUDY CAREFULLY OTHER ELEMENTS IN THE PACKAGE.

4. INGERSOLL NOTED THAT THE US COULD NOT ACCEPT THE BRAZILIAN PROPOSAL TO SUBSTITUTE THE COCOA AGREEMENT PROVISION ON PORCESSED PRODUCTS FOR THE OLD ARTICLE 44 OF THE LIMITED OFFICIAL USE

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1968 ICA. HOWEVER, HE ADDED THAT HE HOPED BRAZIL AND THE US COULD REACH BI-LATERAL AGREEMENT ON HOW TO HANDLE THE PROBLEM OF PROCESSED COFFEE WHICH HAD PROVED SO CONTENTIOUS IN THE PAST. CALAZANS AGREED WE SHOULD SEEK TO AVOID THE CONFRONTATIONS OF THE PAST AND SAID HE WOULD WELCOME ANY US SUGGESTIONS. IT WAS AGREED BEST CHANNEL FOR INITIAL EXCHANGES VIEWS WOULD BE THROUGH US AND BRAZILIAN PERMANENT REPRESENTATIVES ICO IN LONDON. CALAZANS

SUGGESTED THAT IN FINAL ANALYSIS THE BEST WAY TO HANDLE THE PROBLEM WOULD BE FOR HIM AND DEPUTY ASSISTANT SECRETARY KATZ TO GET TOGETHER. HE ASKED THAT WE CONVEY TO KATZ HIS WARM PERSONAL INVITATION TO VISIT BRAZILIA AND IBC HEADQUARTERS IN RIO IN MAY TO DISCUSS BOTH PROCESSED COFFEE AND THE PROGRESS OF THE NEGOTIATIONS. HE REITERATED THIS INVITATION SEVERAL TIMES. WE PROMISED TO LET HIM KNOW.

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5. AT SUBSEQUENT WG MEETINGS, BRAZILIAN REP RAFFAELLI HAS BEEN CAUTIOUS IN HIS COMMENTS ON US PROPOSALS. PRESUMABLY HE IS STILL STUDYING THEM. OFF THE RECORD, HE HAS INDICATED HE LIKES THE QUOTA FORMULA. A NUMBER OF OTHER PRODUCER DELEGATIONS HAVE INDICATED THEY FEEL US QUOTA FORMULA IS WORKABLE EVEN THOUGH IT WOULD PROBABLY GIVE BRAZIL SLIGHTLY MORE QUOTA THAN THEY WOULD PREFER (E.G. IF NEW ICA HAD STARTED OCTOBER 1, 1974, BRAZIL

WOULD HAVE HAD 33.7 PERCENT OF QUOTA).

6. COMMENT: IT IS QUITE POSSIBLE BRAZIL IS WAITING TO GAUGE OTHER PRODUCER REACTIONS TO THE US QUOTA FORMULA BEFORE IT REACTS TO THE OVERALL PACKAGE WE SUGGESTED. IN ANY EVENT, WE BELIEVE THE US SUGGESTIONS HAVE REMOVED ANY REMAINING DOUBT PRODUCERS MAY HAVE HAD OVER OUR SERIOUSNESS. OUR FEEDBACK THUS FAR HAS BEEN GOOD. CONSUMERS, INCLUDING THE FRG, UK, FRANCE, SWEDEN, THE NETHERLANDS, AND SWITZERLAND HAVE WELCOMED THE US SUGGESTED PACKAGE AS LIMITED OFFICIAL USE

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"REASONABLE AND WORKABLE" AND OFFERED TO ASSOCIATE THEMSELVES WITH IT. AMONG PRODUCERS, OAMCAF, EL SALVADOR, MEXICO, COSTA RICA AND PORTUGAL HAVE OPENLY EXPRESSED FAVORABLE REACTIONS TO THE TYPE QUOTA FORMULA WE SUGGESTED WHILE BRAZIL AND COLOMBIA OFF THE RECORD HAVE INDICATED GENERAL SYMPATHY. HOWEVER, PRODUCER PRE-OCCUPATION WITH THE QUOTA APPEARS THUS FAR TO HAVE DELAYED THEIR GIVING SERIOUS CONSIDERATION TO THE OTHER BREAD AND BUTTER ELEMENTS IN OUR PACKAGE. WE EXPECT SOME FLACK ONCE THEY DO.

MILLER

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